

JASDAQ 3236 PROPERST CO., LTD.

Sector; Real Estate

6-Nov-07

Condo developer creating functional "work" with design

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report@ftg.jp**Company profile**

Representative Shunichi Mori URL: <http://www.properst.co.jp/>

Head Office Kasumigaseki Common Gate West 32F, Kasumigaseki 3-2-1, Chiyoda-ku, Tokyo, Japan

Business line Integrated condo developer engaged in planning, developing and selling designer's condo mainly in metropolitan areas

Shares issued 334,625 shares (6/15/2007)

Major Holders Special owners 72.6%, Foreign owners 11.2%, Japanese Funds 9.6%
Shunichi Mori 44.1%, Twin Woods Co., Ltd. 7.5%, Hitomi Mori 4.0%, The Master Trust Bank of Japan, Ltd. 3.9%, Japan Trustee Services Bank, Ltd. 2.8%

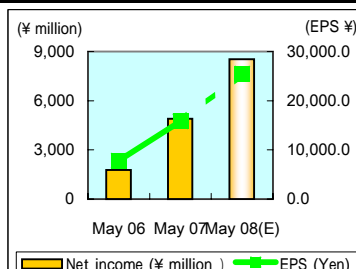
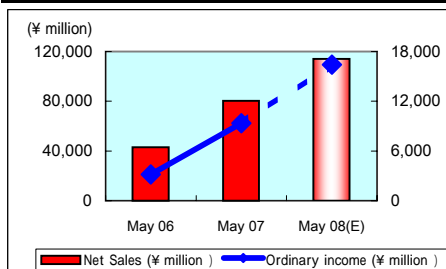
Established
Listed

December 1987
December 2006

6-Nov-07

Stock price (¥) 169,000
PER(E) 6.7
ROE(E) 81.0%
Market cap (¥ million) 56,742
Volume 4,444
Trade Unit 1

	Net Sales (¥ million)	Ordinary income (¥ million)	Net income (¥ million)	Dividend (Yen)	EPS (Yen)	ROE (%)
May 06	42,904	3,171	1,777	540	7,809.0	70.7
May 07	80,406	9,331	4,901	2,800	15,812.8	50.3
May 08(E)	114,198	16,397	8,526	1,500	25,479.3	81.0
Nov 08(Interim)	69,411	15,498	8,059	1,500		

**Industry trend**

Owing to the full-scale business recovery of Japanese companies, demand for rental office is strong in urban areas such as Tokyo, Osaka and Nagoya. Demand for condo especially in urban areas is also strong due to the start of full-fledged housing acquisition by the second generation baby boomers. Moreover, demand for redevelopment and SC business is strong. Land price and rent continued to rise. Also, massive fund was raised through REIT listing and real estate fund to meet strong fund needs. The condo industry is doing well owing to the brisk real estate market. However, it started to be hard to acquire real estate in city centers and cap rate (expected rate of return) decreased to about 4%. Long-term interest rate started to rise and rate hike by BOJ is presumed. A reorganization of REIT and real estate fund is expected due to the implementation of "Financial product transaction law" in this fall. Therefore, an environment surrounding real estate market may change.

Business strategy

PROPERST's core business is planning, developing and selling designer's condo mainly in metropolitan areas. Also engaged in the asset revitalization business such as land redevelopment, conversion and renovation of secondhand properties. The company creates "works" featuring design and function. The company adopts "project team system" in which the same person is in charge of purchasing, planning, developing and selling. Furthermore, the company does not adopt "creation of series condo system" to create only one condo in the world. The company plans to develop business in new Tokyo waterfront subcenter and areas along the Tsukuba Express Line in the future. The business results forecast for FY May 2008 is as follows. Sales ¥ 114.1 billion (YoY 42.0%), Ordinary income 16.3 billion (YoY 75.7%), Net income ¥ 8.5 billion (YoY 74.0%)

Corporate analysis by IR STREET

Strength 1.Planning, development and selling of new condo featuring design 2.Speedy and efficient acquisition of properties 3.Original know-how of land acquisition 4.Planning, development and selling of valuable secondhand condc	Opportunity 1.Completion and selling of large-scale condc 2.Booming redevelopment business in city center 3.Money inflow for real estate investment from overseas
Weakness 1.Heavy reliance on interest-bearing debts (83.3% as of Nov. 2006) 2.High ratio of inventories to total assets (88.7% as of Nov. 2006)	Risk 1.Trend towards rise in long-term interest rate 2.Stiffer competition in real estate acquisition 3.Reinforcement of laws and regulations related to the real estate industry

Peer comparison

	Fiscal Year end	Sales (¥ million)	YoY (%)	Ordinary income (¥ million)	YoY (%)	Ordinary income ratio (%)	EPS (¥)
PROPERST JOINT CORPORATION (8874)	May 08(E)	114,198	42.0%	16,397	75.7%	14.4%	25479.3
THE JAPAN GENERAL ESTATE (8878)	Mar 08(E)	191,000	13.3%	25,500	96.0%	13.4%	328.3
Sun Frontier Fudosan (8934)	Mar 08(E)	129,000	54.1%	12,500	77.9%	9.7%	184.8
	Mar 08(E)	55,000	56.0%	11,000	32.7%	20.0%	17500.0

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